DEPARTMENT OF THE NAVY
U.S. NAVAL SUPPORT ACTIVITY
PSC 817, BOX 1
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NAVSUPPACT NAPLES INST 5200.2C
O1E:MAK:mn
15 MAY 2001

NAVSUPPACT NAPLES INSTRUCTION 5200.2C

From: Commanding Officer, U.S. Naval Support Activity, Naples,
        Italy

Subj: MANAGEMENT CONTROL PROGRAM (MCP)

Ref: (a) CINCUSNAVEUR NOTE 5200 of 24 Jan 01 (Series)
        (b) SECNAVINST 5200.35D
        (c) OPNAVINST 5200.25C

Encl: (1) NAVEUR Risk Assessment Form
        (2) Annual Management Control Certification Statement

1. Purpose. To establish command policy and to assign
responsibilities for the MCP, ultimately ensuring that all
resources are effectively and efficiently managed.

2. Cancellation. NAVSUPPACT NAPLES INST 5200.2B.

3. Scope. This instruction applies to all military and
civilian (both U.S. and Host National) managers assigned to U.S.
Naval Support Activity (NAVSUPPACT), Naples, Italy with
significant management control responsibilities. "Managers" are
defined in reference (a) as those personnel responsible for
designing and/or maintaining systems of internal control to
protect resources from misuse.

4. Background. The Accounting and Auditing Act of 1950
requires the head of each department and agency to establish and
maintain adequate systems of internal control. The Federal
Managers Financial Integrity Act, P.L. 97-255, amended the
Accounting and Auditing Act of 1950 and requires that annual
evaluations be conducted of internal control systems. As such,
NAVSUPPACT Naples must submit an annual statement to Commander
in Chief, U.S. Naval Forces, Europe (CINCUSNAVEUR) on the state
of its internal control system. The Office of Management and
Budget Circular A-123 (revised 4 August 1986) established
policies and procedures for the Management Control Program.
References (a) through (c) provide guidance for program
implementations within the Navy.

5. Program Objectives. Internal controls are designed to provide cost-effective assurance that resources are not being misused. The MCP is not a guarantee against misuse of resources, but is based on information provided by managers and from other sources to balance the risk of misuse against the cost of protection. Internal controls are designed to provide management with reasonable assurance that:

a. Obligations and costs comply with applicable law.

b. Assets are safeguarded against waste, loss, unauthorized use, and misappropriation.

c. Revenues and expenditures are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability of assets maintained.

d. Programs are efficiently and effectively carried out per applicable laws and management policy.

6. Policy. By law, managers are responsible for ensuring that internal controls are used cost-effectively to protect resources from misuse. NAVSUPPACT Naples policy is to hold its Department Heads/Special Assistants accountable for results of their internal control systems. These managers are further responsible for reviewing their internal controls on a continuing basis. All internal control weaknesses will be corrected in a timely manner.

7. Responsibilities

a. The Command MCP Coordinator (Code 01E) will:

(1) Serve as the point of contact for all matters and actions related to the management control program.

(2) Provide command management with information on the MCP and training on risk assessments and management control reviews.

(3) Ensure that internal controls are in place and provide cost-effective protection against misuse of resources.

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(4) Ensure the inventory of assessable units covering the entire operation of the command, including any detachments, is current and established per the Department of Defense 15 functional categories, as specified in enclosure (2) of reference (b).

(5) Assist Department Heads/Special Assistants in performing risk assessments in the format outlined in enclosure (1). The results of risk assessments shall be reported to CINCUSNAVEUR (Code 012), by 31 July of each year, and include the numerical score and vulnerability rating for each assessable unit (high, medium, and low) and reason(s) for areas assessed to be of "high" risk.

(6) Assist Department Heads/Special Assistants in performing MCP reviews per the provisions outlined in references (a) through (c).

(7) As directed by the Commanding Officer, request that command management perform a management control review whenever there is cause for concern over the adequacy of internal controls in an assessable unit.

(8) Prepare an annual Certification Statement Report for submission to CINCUSNAVEUR (Code 012), via Commander, Fleet Air Mediterranean (Code N00I), by 31 July of each year. Ensure that only those weaknesses which meet the criteria of a material weakness as defined in reference (b) are reported.

b. Department Heads and Special Assistants will:

(1) Be responsible for designing/maintaining systems of internal Management Control (MC) to protect resources from misuse.

(2) Ensure that all subordinate personnel with internal control responsibilities comply with the requirements of this instruction to ensure effective internal controls systems are implemented and functional.

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(3) Ensure the performance standards for designated personnel include a standard or element to reflect internal control responsibilities. Positive accomplishments, as well as deficiencies in the performance of these duties, shall be noted in the appraisal process. Appropriate disciplinary or performance based action(s) shall be taken for violations of good internal control practices.

(4) Review their internal controls on a continuing basis to ensure that resources are cost-effectively protected.

(5) Perform risk assessments. Risk assessments will be conducted on all assessable units at least once every five years and as significant changes occur. Enclosure (1) will be used when performing a risk assessment.

(6) Perform MC reviews. MC reviews will be conducted on all assessable units rated "high" during the first two years of the five-year cycle. Reviews of assessable units with ratings of "medium" or "low" are to be scheduled over the entire five-year cycle. MC reviews will also be conducted as requested by the Command MCP Coordinator.

(7) Implement corrective actions resulting from MC reviews or other internal control efforts in a timely manner.

(8) Retain all files, correspondence, and records necessary for MCP implementation. Make records available to authorized personnel, such as auditors, inspectors, and investigators.

(9) Submit to the Commanding Officer, via the Command MCP Coordinator, an annual MCP Certification Statement (enclosure (2)), by 15 June of each year. Significant weaknesses or deficiencies in internal control system require disclosure. A plan of action and milestones must accompany any reported material weakness.

c. The NAVSUPPACT Naples Staff Judge Advocate will ensure that management officials at all levels are aware of their management control responsibilities and are accountable for the success or failure of management control practices, as specified in references (a) through (c).

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   d.   The Director, Human Resources Office, will assist
management officials in assuring NAVSUPPACT Naples civilian
personnel with significant internal control duties are
identified, and that performance appraisals reflect those
responsibilities.

B. L. GRAY

Distribution:
NAVSUPPACT NAPLES INST 5216.4V
Lists I: II: III: (22. only)

Copy to:
List: IV (1. and 2. only)

NAVEUR RISK ASSESSMENT FORM

Organization (Activity/Command)_____

Unit Identification Code (UIC)_____

Assessable Unit_____

Definition_____

_____

_____

RA Conducted By_____ Date_____
        List your organization code_____

Reviewed/Approved by_____ Date_____

PART I – MANAGEMENT EVALUATION

General Control Environment

Questions 1-6 cover organizational, procedural, and operational
factors, which can have an impacted on the effectiveness of
internal controls.

Value

    1. Emphasis on internal controls

_____ (1) Major emphasis (Internal controls are considered in the
planning and operation at each level within the organization.)

_____ (3) Moderate emphasis (controls are considered in one or
more of the following: evaluations of operations, performance
appraisal, and external requirements.)

_____ (5) Minor emphasis (There is little evident consideration
of internal controls at most levels within the organization.)

Comments/Documentation. On what basis did you make your assessment?_____

_____

_____

2. Coverage by written procedure

____ (1) Specific guidance with little or no discretion

____ (3) Flexible guidance with significant discretion

____ (5) No written guidelines

Comments/Documentation. Are there written procedures for employees to follow within the general rules? How much discretion is allowed? (usually the more discretion allowed, the more potential for abuse) List the pertinent instructions for this assessable unit and specify if they are not current._____

_____

_____

_____

3. Specific program goals and measurable accomplishments

____ (1) Goals/Objectives formally established and monitored

____ (3) Goals/Objectives used informally or with little follow-up

____ (5) Goals/Objectives needed, but not established

Comments/Documentation. Establishing program and budgeting goals provide an office and its employees with benchmarks for measuring accomplishments. When these goals are not established, reviewed periodically, updated, and disseminated to employees, successful achievement is less likely. Does this function have goals/objectives established? If so, specify these goals and how you measure/adjust them._____

_____

_____

_____

4. Adequacy of checks and balances

_____ (1) Adequate

_____ (3) Needs improvement

_____ (5) Required but totally lacking

Comments/Documentation. This addresses division of tasks
between personnel. Authority for certain functions is shared
among two or more employees or organization levels to minimize
the potential of waste, fraud, abuse, or mismanagement.
Determine if checks and balances are appropriate, and if so,
determine whether they are adequate to protect the resources.
Explain your
assessment._____

_____

_____

_____

5. ADP used for reporting or operational data

_____ N/A Not Applicable

_____ (1) Data reliability and security are satisfactory

_____ (3) Data reliability or security needs some improvement

_____ (5) Data reliability is a major problem

Comments/Documentation. Many activities are highly
dependent on ADP for either operations or providing data or
information on which management decisions are made. While use
of ADP can save time, there are issues of reliability and
security, which are particularly important when the use of
automated equipment is involved. If ADP is not used for

the unit being assessed, check the N/A box. For other than
'N/A' explain your assessment.

_____

_____

_____

     6. Personnel Resources

_____ (1) Adequate number of qualified personnel

_____ (3) Adequate number of personnel but some training required

_____ (5) Insufficient number of personnel or majority of staff
lacks qualifications or needed training

    Comments/Documentation. Select the choice that best
depicts both the number of needed personnel available to perform
the function and the extent to which these personnel are
adequately qualified and trained. Assess the type of training
involved. Is it formal training or OJT? Explain your choice.

_____

_____

_____

_____

Analysis of Inherent Risk

    Questions 7-16 address the function's inherent potential for
waste, fraud, abuse, or mismanagement.

    7. Program/Function Responsibility

_____ (1) Navy only

_____ (3) Joint Service

Contractor:

_____ (4) Limited to working on program/function

_____ (5) Responsible for program/function

     Comments/Documentation. An important factor in determining the vulnerability of a particular program/function is the extent to which DON internal control mechanisms can effectively monitor and influence program/functional operations. If another service or a contractor has significant responsibility for program administration, inherent risk is greater. Explain your assessment._____

_____

    8. Scope of written authority

_____ (1) Adequate/Precise (Governing regulations and/or delegation of authority clearly establishes the amount of authority and discretion.)

_____ (3) Clarification required (Amount of authority and discretion is not clearly established.)

_____ (5) No written authority (No written delegations or other official documentation establishing the limits on administering a program or function.)

     Comments/Documentation. Document your answer by citing paragraph/reference of regulation (might even be a job description) if you're selecting (1) or (3)._____

_____

_____

_____

    9. Age/Status of Program/Function

_____ (1) Relatively stable

_____ (3) Changing

_____ (5) New or expiring within two years

Comments/Documentation. The idea here is that the newer the program/function the less likely it has stabilized its procedures for administering resources, thus the greater the opportunity for risk. This also applies to situations involving phase out.
"Relatively stable" implies that the program/function has been existing over a period of years and that procedures are established and in place. Explain your selection.

_____

_____

_____

_____

     10.   External impact or sensitivity

_____ N/A (No external impact.)

_____ (1) Low Level (Only a small number of individuals or organization is affected.)

_____ (3) Moderate Level (Function serves or impacts a moderately sizable number of individuals or organization external to the activity.)

_____ (5) High Level (Significant impact or sensitivity due to a high degree of interest and potential influence by external organizations. This situation exists when managers must continuously consider the external impact of operations.)

     Comments/Documentation. Explain your choice._____

_____

_____

_____

     11.   Interaction across organizations

_____ (1) Exclusive to one office

_____ (3) Within two functional offices

_____ (4) More Than Two functional offices

_____ (5) Involvement with outside organizations

Comments/Documentation. The thought is that the greater the number of activity offices or outside organizations involved, the greater the risk of error. Explain your selection._____

_____

_____

12. Type of transaction document

_____ (1) Non-convertible instruments (Documents, such as memoranda and letters which record transactions but cannot be exchanged for cash or services.)

_____ (3) Convertible to services only (Items such as government meal tickets, GTRs, etc.)

_____ (5) Directly convertible to cash (Examples include salary checks, a check received by the activity, imprest fund vouchers.)

Comments/Documentation. Explain your selection._____

_____

_____

13. Interval since most recent evaluation, audit, oversight assist visit, inspection

_____ (1) Within the last nine months

_____ (3) Between 9 and 24 months

_____ (5) More than 24 months

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Comments/Documentation. Tell who reviewed you, the date of the review, explain how frequently this function is reviewed.Were there any significant/material discrepancies?_____

_____

_____

_____

14.   Recent instances of problems significantly impacting the function

_____ (1) None in the last 18 months

_____ (3) Most significant findings or problems fully resolved

_____ (5) Most significant findings or problems unresolved

Comments/Documentation. Errors or irregularities would indicate either a lack of internal controls or ineffectiveness of existing ones. If there were any such problems identify them here.

_____

_____

_____

15.   Adequacy of reports

_____ N/A   (No reports generated)

_____ (1) Accurate and timely

_____ (3) Often inaccurate, incomplete, and/or late

_____ (5) Usually inadequate and late

Comments/Documentation._____

_____

_____

16. Time constraints

_____ (1) Not a significant factor in operations

_____ (3) Occasionally a factor

_____ (5) A significant daily factor

Comments/Documentation. This question applies to activities which must operate under severe time constraints._____

_____

_____

Preliminary assessment of safeguards

17. Assumed effectiveness of existing controls

_____ (1) Controls adequate

_____ (3) Less than adequate

_____ (5) No existing controls or costs outweigh benefits

Comments/Documentation. Controls are adequate if the control improvements required are of a minor nature.

Add up 1-17 for total score:

PART II - INDEPENDENT EVALUATION

Rate the assessable unit: _____ High (Greater than 34)
                               _____ Medium (27 - 34)
                               _____ Low (Less than 27)

Risk assessment reviewed
by_____

Comments/Follow-on
Action:_____

_____

ANNUAL MANAGEMENT CONTROL PROGRAM CERTIFICATION STATEMENT

From:

To: Commanding Officer, U.S. Naval Support Activity,
        Naples, Italy

Via: Management Control Program Coordinator (Code 01E)

Subj: ANNUAL MANAGEMENT CONTROL PROGRAM CERTIFICATION
        STATEMENT FOR THE PERIOD _____

Ref   (a) NAVSUPPACT NAPLES INST 5200.2C

Encl: (1) Material Weaknesses and Plans for Corrective
            Action(s)*
        (2) Status of Corrective Action(s)*
        (3) Management/Internal Control System
            Accomplishments*
        (4) Schedule of Management Control Reviews*

1.   Per reference (a), I certify that all assets are
safeguarded against waste, loss, unauthorized use, or
misappropriation within my area of responsibility and
operations and that I and my subordinate supervisors and
managers adhere to the Internal Control Standards as
established by the General Accounting Office (Comptroller
General) and as stated in SECNAVINST 5200.35D and OPNAVINST
5200.25C

2.   (If applicable). This department's/special assistant's
Management/Internal Control Program has been evaluated per
reference (a). The evaluation provides reasonable
assurance that the objectives of this program were achieved
with the exception of those weaknesses noted in enclosure
(1), which also include a plan of action for correcting the
weaknesses.

3. (If applicable). Status of corrective action(s) to
previously identified material weaknesses is submitted as
enclosure (2).

4. (If applicable). Accomplishments of the Management
Control Program are described in enclosure (3).

5.   (If applicable). Enclosure (4) is a summary of
Management Control Reviews performed during the reporting
period.